



**PERFORMANCE OF UNIT TRUST FUNDS
MALAYSIA: A COMPARATIVE STUDY BETWEEN
ISLAMIC & CONVENTIONAL FROM 1998-2006**

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ABSTRACT

One of the implications of Islamic investment principles is the availability of Islamic financial instruments in the financial market. The main aim of this research is to observe the differences in terms of performance between Islamic and conventional mutual fund in the context of Malaysian capital market. To achieve the major objectives of this paper standard methods were used for evaluating the mutual funds performance, for example, Treynor index Sharpe index and Jensen Alpha,. The scope of the paper is to measure the relative quantitative performance of funds which was managed based on two different approaches. The basic finding of the paper is that Islamic funds performed better than the conventional funds during bearish economic trends while, conventional funds showed better performance than Islamic funds during bullish economic conditions. Conventional funds are found to have a marginally better diversification level than the Islamic funds. The main limitation is that the samples of conventional and Islamic mutual funds were from one developing market. The findings could be better validated if the sample included the mutual funds from 1998 until 2006, where both Islamic and conventional funds are available. This paper adds new knowledge to the mutual funds literature.